

31 July 2018

ASX ANNOUNCEMENT

**APPENDIX 4C: QUARTERLY CASH FLOW REPORT AND COMMENTARY
FOR THE QUARTER ENDED 30 JUNE 2018**

Leading Australian cloud security technology company, FirstWave Cloud Technology Limited (ASX: FCT) (**FirstWave** or **Company**), provides its Appendix 4C for the 4th Quarter of FY18 ended 30 June 2018.

Operating Update

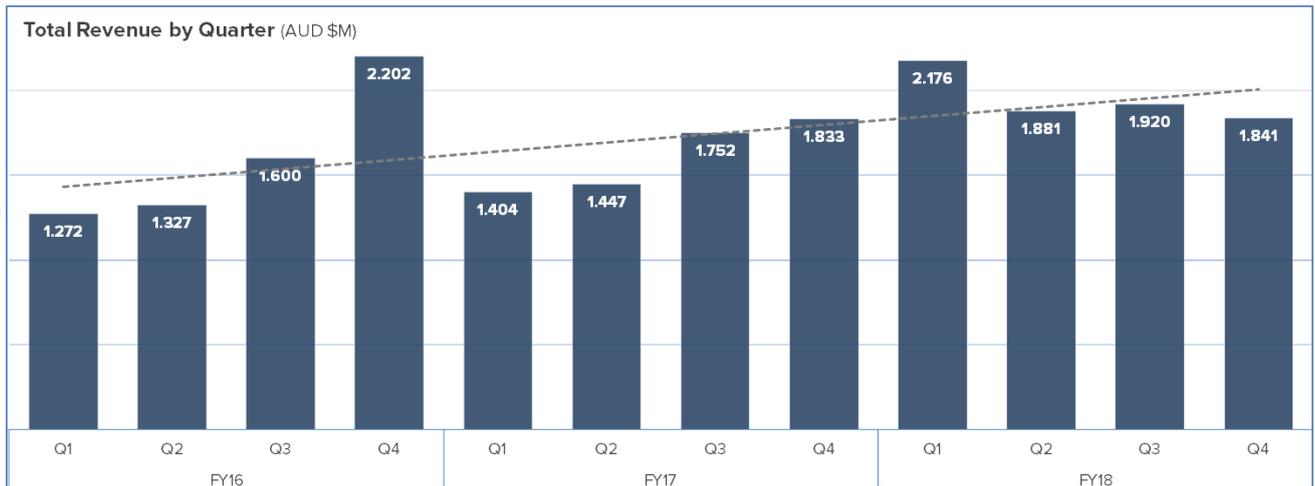
Having successfully completed the "Enable" phase of its three-phase "Enable, Expand, Scale" strategy announced in October 2017, FirstWave is pleased to confirm that it has entered the "Expand" phase. This phase will see the Company drive its international expansion, which was recently cemented by an agreement with Cisco Systems, Inc (Cisco).

Operational Milestones

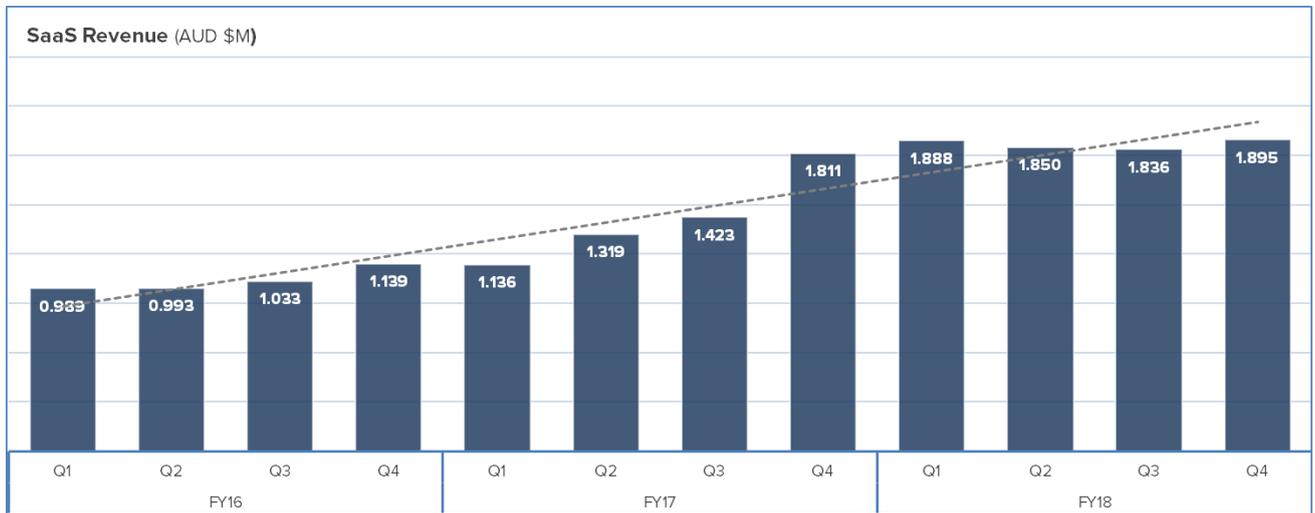
- FirstWave has signed a software original equipment manufacturer (OEM) development and license agreement with leading Global Security Vendor, Cisco. This is a key milestone for the Company and provides the platform to significantly accelerate growth globally.
- After signing agreements with technology partners in FY18, the Company has received its first customer orders from:
 - Mind Flow Sdn Bhd, a recognised Malaysia status company (MSC) and a leading Malaysian based reseller; and
 - Ingram Micro, the world's largest wholesale technology distributor and global leader in IT supply chain and mobile device lifecycle service.
- FirstWave completed a \$5.8 million capital placement. The raised capital is being used to support the Company's "Expand" phase, building on and strengthening relationships with existing customers and Global Security Vendors.
- FY18 pre-audit financial results: Full year revenue of \$7.8m and earnings before interest, tax depreciation and amortisation (EBITDA) loss of (\$6.3m). This result includes \$2.2m of operating expenditure associated with the development of the Company's international business and represents a 21% revenue growth on PCP and an underlying EBITDA improvement of 13% (underlying excludes international operating investment).

Q4 Operating Update

Revenue was \$1.841m, versus \$1.833m PCP:



Security as a service (SaaS) revenue increased by 4.6% from the PCP base of \$1.811m to \$1.895m:



Annualised SaaS recurring revenue increased 11.2% from the PCP base of \$6.814m to \$7.579m:



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Q4 customer orders have increased 33.5% from the PCP base of 185 to 247:



Q4 sales were below expectation at \$959k, driven by revised offer launch dates within the service provider channels, deferred from the 2nd half of FY18 to the 1st half of FY19.

Cash Flow:

- FirstWave's cash balance at the end of Q4 FY18 was \$5.9m (including bank guarantee deposits of \$0.1m)
- Gross customer cash receipts for Q4 FY18 were \$2.3m, up from \$1.8m in Q3 FY18 due to one-off prepayments
- Operating cash payments for Q4 FY18 were \$4.0m an increase from \$3.6m in Q3 FY18
- Investing cash payments for Q4 FY18 were \$0.5m
- Financing cash flows for Q4 FY18 were \$5.4m net of capital costs
- The net cash flow position for Q4 FY18 was an inflow of \$3.2m

Cash payments by FirstWave business segments:

- Domestic Business (Australia) – \$1.9m
- International Business – \$0.8m
- Corporate Services – \$1.8m

All customer cash receipts were associated with the domestic business.



Q1 FY19 Outlook

FirstWave will maintain its focus on growth. Increased cash outflows will support investment in our international expansion, leveraging our strengthening relationships with our global security vendor partners, new software distributors and resellers.

Estimated cash outflow for Q1 FY19

Cash outflows are expected to be \$5.3m comprising of:

- \$4.9m of operating expenditure:
 - Domestic Business (Australia) – \$2.1m
 - International Business – \$1.0m
 - Corporate Services – \$1.8m
- \$0.4m of investing expenditure

FirstWave Acting CEO David Kirton said, "It has been an exciting quarter for FirstWave with our first software OEM development and license agreement signed with Cisco, the launch of our distribution channel with Ingram Micro – two industry leaders and new reseller agreements creating a foundation for continued growth in FY19."

"The completion of our 'Enable' phase sees us propel into our 'Expand' phase. We believe that our highly focused three-phase strategy will continue to drive results for all stakeholders."

All numbers in this quarterly cash flow report and accompanying commentary for the quarter ended 30 June 2018 are unaudited.



Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

FirstWave Cloud Technology Limited [FCT.ASX]

ABN

35 144 733 595

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,284.5	10,564.9
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(767.2)	(3,168.6)
(c) advertising and marketing	(61.4)	(147.6)
(d) leased assets	(48.8)	(212.4)
(e) staff costs	(1,859.6)	(6,945.1)
(f) administration and corporate costs	(1,280.2)	(4,702.3)
1.3 Dividends received (see note 3)		
1.4 Interest received	12.6	45.5
1.5 Interest and other costs of finance paid	(0.6)	(2.0)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	789.1
1.8 Other (provide details if material)	-	27.3
1.9 Net cash from / (used in) operating activities	(1,720.7)	(3,751.2)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(27.4)	(153.5)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property (capitalized development costs)	(430.7)	(1,533.7)
(e) other non-current assets		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(458.1)	(1,687.2)
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares	5,800.0	10,150.0
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(405.1)	(692.2)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	5,394.9	9,457.8
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,699.0	1,895.7
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,720.7)	(3,751.2)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(458.1)	(1,687.2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,394.9	9,457.8

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,915.1	5,915.1

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,281.3	1,565.2
5.2	Call deposits	500.0	1,000.0
5.3	Bank overdrafts	-	-
5.4	Other (deposits backing bank guarantees)	133.8	133.8
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,915.1	2,699.0

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

122.6

-

6.1 above is comprised of director fees paid to 5 directors for the period Apr – Jun 2018

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	300.0	87.1
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 above comprises of a lease facility with NAB to finance purchases of office equipment, plant and machinery.

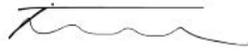
9. Estimated cash outflows for next quarter – Q1 FY 2019	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	1,026
9.3 Advertising and marketing	187
9.4 Leased assets	49
9.5 Staff costs	2,311
9.6 Administration and corporate costs	1,315
9.7 Other (provide details if material)	381
9.8 Total estimated cash outflows	5,269

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.
- 3 Other cash flows in 9.7 above represents expected outlay on property, plant and equipment and intangible assets.

Sign here:


(Director)

Date: 30 July 2018

Print name: Drew Kelton

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.